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A. Salam

University of North Carolina at Greensboro

Lakshmi Iyer

University of North Carolina at Greensboro

Raj Srikantan

University of North Carolina at Greensboro

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RELATIONSHIP MARKETING AND B2B E-COMMERCE: REDEFINING THE TRADITIONAL BUYER-SELLER RELATIONSHIP IN THE DYNAMIC B2B E-MARKETPLACE ENVIRONMENT

A. F. Salam

Bryan School of Business
and Economics
University of North Carolina
at Greensboro
amsalam@uncg.edu

Lakshmi Iyer

Bryan School of Business
and Economics
University of North Carolina
at Greensboro
lsiyer@uncg.edu

Raj Srikantan

Bryan School of Business
and Economics
University of North Carolina
at Greensboro
thyag_srik@hotmail.com

Abstract

The purpose of this research-in-progress paper is to develop and subsequently test a research model investigating the buyer-seller relationship in the B2B e-marketplace. Even though there has been much focus in the nature and interaction of participants in the B2B marketplace, little systematic research has been conducted to understand the broad relational mechanism that underlies exchanges among participants in the B2B e-marketplace.

Keywords: B2B marketplace, relationship marketing, electronic commerce, trust, commitment

Introduction

Anecdotal literature and previous research (Kaplan and Sawhney, 1999) have correctly recognized the varied nature of the B2B e-marketplace. But little systematic research has been conducted to understand the role of relational exchange mechanism that transpires in the background determining the behavior of participants in the B2B e-marketplace. It is our contention that product specialization, commitment, trust, co-operation, performance satisfaction and relation enabling technology play a significant role in determining how participants act in the B2B e-marketplace.

Theoretical Framework

Several variables have been found in past research in relationship marketing, relational exchange and E-commerce to have significant influence in determining the behavior of participants in relational exchange.

Commitment

Past research in marketing have recognized the importance of commitment in buyer-seller relationships. (Anderson, Lodish, and Weitz 1987; Anderson and Weitz 1990; Jackson 1985; Dwyer, Schurr, and Oh 1987; Moorman, Zaltman, and Deshpande 1992). Commitment is an important variable in discriminating between ‘stayers and leavers’ (Mummalaneni 1987). Hardwick and Ford (1998) point out that commitment assumes that the relationship will bring future value or benefits to the partners. There is little doubt that commitment is a critical variable in measuring the future of a relationship in B2B e-Marketplace. Han and Wilson (1993) report that technology contributes to increasing the commitment to the relationship. Systematic sourcing involves negotiated contracts with qualified suppliers. Because the contracts tend to be long term, the buyers and sellers often develop close relationships. In spot sourcing, the buyer's goal is to fulfill an immediate need at the lowest possible cost. Commodity trading such as for oil, steel, and energy exemplifies this approach. Spot transactions rarely involve a long-term relationship with the supplier;

in fact, buyers on the spot market often don't know whom they're buying from (Kaplan and Sawhney 2000). Hence from this perspective, we propose that there seems to be commitment that is more dynamic and performance dependent between the buyer and seller in the B2B e-Marketplace.

Trust

Most definitions of trust involve a belief that one relationship partner will act in the best interests of the other partner. Despite the benefits to buyers, sellers and brokers, the public e-Marketplaces formed by Fortune 500 buying consortiums have not achieved the participation and success expected by participants. Success or failure is not technology related but rather dependent on participant expectations and reactions. For competing entities to relinquish control and to come together to build a larger purchasing entity requires extensive compromise. Desire to keep proprietary information private and to demonstrate loyalty to certain suppliers are slowing the growth of some online exchanges (Information week, 2000). In order to create a virtual enterprise and streamline entire value chains of all participants, companies creating or participating in these public e-Marketplaces must now trust their competitors with a significant amount of proprietary information. Cultural transformation of this magnitude will not transpire overnight (EC Cubed Inc, 2000). For example, with entire enterprise resource planning (ERP) systems interfaced to the Web, anyone- even competitors-can gain access to sensitive information such as inventory levels or product availability data. Looking at "shareable but sensitive information" from a "we're in this together" perspective, it is easy to see that trust is a fundamental requirement (Ecommerce Times, 2000). For example, BMG labels and distribution partners worried about confidentiality and use of information from the site, and they wanted to keep pricing and ordering details from competitors. BMG Central requires that users sign legally binding agreements not to misuse information from the site (PC Week, 1999). Hence we propose that trust will influence co-operation and commitment, which in turn will determine the buyer-seller relationship in the B2B e-market place.

Cooperation

Cooperation has been defined as similar or complementary coordinated actions taken by firms in interdependent relationship to achieve mutual outcomes or singular outcomes with expected reciprocation over time (Anderson and Narus 1990). The interaction of cooperation and commitment results in cooperative behavior allowing the partnership to work ensuring that both parties receive the benefits from the relationship. Many industry leaders are also predicting that the nature of the relationship will change as B2B e-Market places mature. As organizations move online, information will become available immediately thereby forcing relationships between businesses and their partners, distributors and customers to evolve based on performance rather than solely on loyalty and past relationship. Hence, co-operation between the buyer and seller will come to depend more on performance rather than past relationship (EC Cubed Inc, 2000). The degree of co-operation in the B2B e-marketplace will depend largely on the type of market as well.

Vertical markets will demand more co-operation compared to the Horizontal markets because of the nature of the products traded in these markets. The vertical electronic hubs are characterized by domain-specific content and domain-specific relationship. Consider an electronic hub like SciQuest that mediates between buyers and sellers in the laboratory and scientific equipment marketplace. The founders of these electronic marketplaces had extensive industry experience and relationship with key buyers and suppliers (Kaplan and Sawhney, 1999). So the cooperation will be different based on the type of market (vertical vs. horizontal) and the type of transactions that transpire in these marketplaces. Hence, we propose that the co-operation in the B2B e-marketplace will depend on the trust and that co-operation, in turn, will determine the buyer-seller relationship in the electronic market place.

Performance Satisfaction

Performance Satisfaction is a critical variable in business relationship. Especially, e-Marketplace makes information available immediately, forcing relationships between businesses and their partners, distributors and customers to evolve based on performance rather than solely on loyalty and past relationships. Partners, especially sellers, must deliver high-level satisfaction on the basic elements of the business transaction. Buyers need to satisfy their partner's business needs or they risk becoming marginalized. Performance satisfaction is the degree to which the business transaction meets the business performance expectation of the partner. Performance satisfaction includes both product specific performance and non-product attributes (Wilson, 1995). With the increase in the complexity of the buyer-seller relationship we propose performance satisfaction will determine cooperation and commitment. And the impact of performance satisfaction on the buyer-seller relationship will be mediated by product specialization.

Relation Enabling Technology

Relation enabling technology means the specificity of technology investments that allows business partners to enable and enhance existing relationships. It may range from product level technology investments to the linking of computer and communications systems. The creating of shared technology using CRM software has been found to strain a relationship in the early stages of the development of the technology in the e-Marketplace but inevitably it contributes to a stronger relationship when the technology is up and working (Vlosky and Wilson 1994). Without the ability to easily exchange valuable relation and performance specific information contained in disparate systems owned by different business partners (along the e-supply chain), the value of the relationship is lost. So we propose that relation enabling technology will add value to the buyer-seller relationship in this dynamic electronic business environment by enhancing cooperation, commitment and performance satisfaction.

Product Specialization

Product specialization is a mediating construct in relational exchange. Nature of the product traded in the electronic market place is important in determining the buyer-seller relationship. As we know vertical markets have an industry focus and the products are more specialized. The relationship here is generally more long term between the buyer and seller based on the type of transaction taking place. The complexity of the relationship increases with product specialization. Usually vertical markets start out by automating and hosting the procurement process for a specific vertical, and then supplement their offerings with industry-specific content (Kaplan and Sawhney 1999). In horizontal markets, the product is generally more commodity type and is dealt more across different industries. The commodity e-markets help maintain relationship between the buyer and sellers, making it easy for them to conduct business without negotiating contracts or otherwise hashing out the terms of relationship.

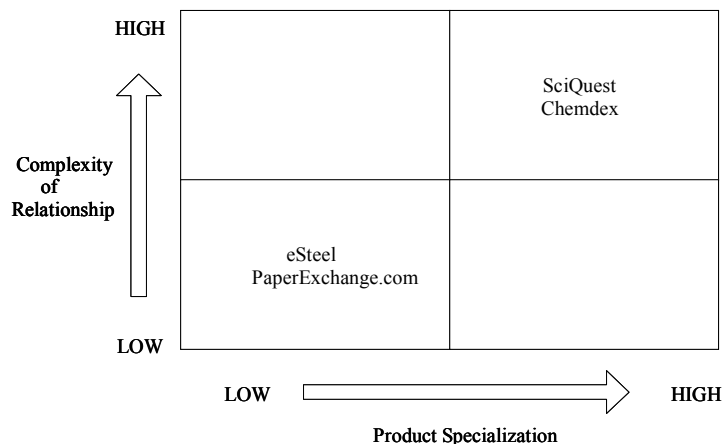


Figure 1. Complexity of Relationship and Product Specialization in B2B E-Marketplace

Proposed Research Model

Based on the discussion above, we propose a preliminary research model (See Figure 2). Each of the arrows indicate a proposition and corresponding relationship among the constructs.

Conclusion

In the next phase of the research, the proposed model will be enhanced and a pilot study will be conducted to test the developed instrument prior to large scale data collection to test the research model.

References

Available upon request.

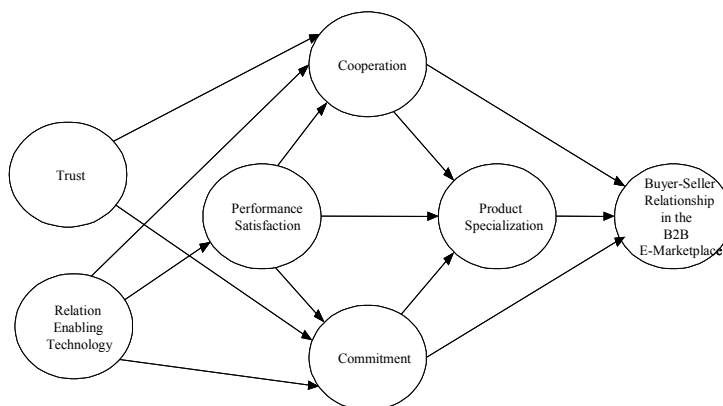


Figure 2. Preliminary Research Model of Buyer-Seller Relationship in the B2B E-Marketplace